



ARAUCO[®]
Growing the Future



Conference Call Presentation

2nd Quarter 2010

Financial Results

September 21st, 2010

Disclaimer

Forward-looking statements are based on the beliefs and assumptions of Arauco's management and on information currently available to the Company. They involve risks, uncertainties and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Arauco and could cause results to differ materially from those expressed in such forward-looking statements.

This presentation contains certain performance measures that do not represent IFRS definitions, as "EBITDA" and "Net financial debt". These measures cannot be compared with the same previously used by Arauco and the same used by other companies.

Agenda

• **Financial Review 2nd Quarter 2010** **4**

• **Review by Business Segment** **11**

• **Outlook** **15**

• **2nd Quarter and Subsequent Events** **20**

Financial Review > 2Q 2010 Highlights

- Revenues of US\$ 913 million
(16% over 1Q 2010)
- EBITDA of US\$ 381 million
(74% over 1Q 2010)
- Net Income of US\$ 174 million
(179% over 1Q 2010)
- Net Financial Debt of US\$ 2,645 million
(-1% over 1Q 2010)
- CAPEX of US\$ 125 million
(-5 % over 1Q 2010)

Financial Review > Consolidated Financial Statements

Income Statement

U.S.\$ million	2Q10	1Q10	Q o Q
Revenue	913	785	16%
Gross profit	377	293	29%
EBITDA	381	219	74%
Operating income	212	139	52%
Net Income	174	62	179%

Cash Flow

U.S.\$ million	2Q10	1Q10	Q o Q
Operating activities	262	118	122%
Investing activities	-177	-140	27%
Financing activities	-94	-133	-29%
Cash flow of the period	-9	-154	-94%

Assets

U.S.\$ million	2Q10	1Q10	Q o Q
Cash	358	373	-4%
Inventories	638	556	15%
Total Current Assets	2,407	2,274	6%
PP&E	4,920	4,859	1%
Biological assets	3,415	3,413	0%
Total Non Current Assets	9,070	9,018	1%
Total Assets	11,477	11,292	2%

Liabilities and S.E.

U.S.\$ million	2Q10	1Q10	Q o Q
Short term financial debt	383	384	0%
Current Liabilities	918	809	13%
Long term financial debt	2,639	2,658	-1%
Non Current Liabilities	4,080	4,079	0%
Minority interest	102	110	-7%
Controller's S.E.	6,377	6,294	1%
Liabilities and S.E.	11,477	11,292	2%

Financial Review > Income Statement

Arauco - Income Statement

U.S.\$ million	2Q10	1Q10	Q o Q
Revenue	913	785	16%
Cost of sales	-536	-492	9%
Gross profit	377	293	29%
Other operating income	64	35	81%
Distribution costs	-90	-78	16%
Administrative expenses	-76	-76	-1%
Other operating expenses	10	-38	-126%
Other income (loss)	0	0	
Financial income	2	9	-75%
Financial costs	-58	-50	15%
Participation in (loss) profit in associates and joint ventures accounted through equity method	-1	-2	-59%
Exchange rate differences	-8	-18	-52%
Income before income tax	221	75	194%
Income tax	-47	-13	267%
Net Income before Minority Interest	175	63	179%
Minority Interest	1	0	839%
Net Income	174	62	179%
Depreciation	65	45	46%
Stumpage	90	35	154%
Special items	14		
EBITDA	381	219	74%

Comments

- **Sales:** higher pulp and panels prices by 22% and 7% respectively, and an increase in sawn timber volume by 45%, partially offset by a decrease in pulp volume by 11%
- **Costs:** 9% higher than the first quarter, mainly explained by higher production in panels and sawn timber by 15% and 26% respectively, partially offset by lower pulp production by 8%
- **EBITDA:** reached U.S.\$ 381 million during the second quarter, 74% higher than the previous quarter, due to an increase in all our business segments EBITDA
- **Other operating expenses:** includes a gain of U.S.\$70 million from insurance claims due to business interruption

Financial Review > Cash Flow

Arauco - Cash Flow Statement

U.S.\$ million	2Q10	1Q10	Q o Q
Collection of accounts receivables	794	999	-20%
Payments of suppliers and personnel (less)	-565	-856	-34%
Other expenses paid and received	23	46	-50%
Dividends and other distributions received	-1	0	
Interest paid and received	-27	-62	-57%
Income tax paid	37	-9	-514%
Net cash provided by (used in) operating activities	262	118	122%
Capital Expenditures	-175	-142	24%
Other investment cash flow	-1	2	-168%
Net cash provided by (used in) investing activities	-177	-140	27%
Debt issuance	10	16	-36%
Debt repayment	-52	-145	-64%
Other financing cash flow	-52	-4	1339%
Net cash provided by (used in) financing activities	-94	-133	-29%
Total positive (negative) cash flow of the period	-9	-154	-94%
Effect of inflation on cash and cash equivalents	-7	-7	-2%
Cash and cash equivalents at beginning of the period	373	534	-30%
Cash and cash equivalents at end of the period	358	373	-4%

Financial Review > Debt

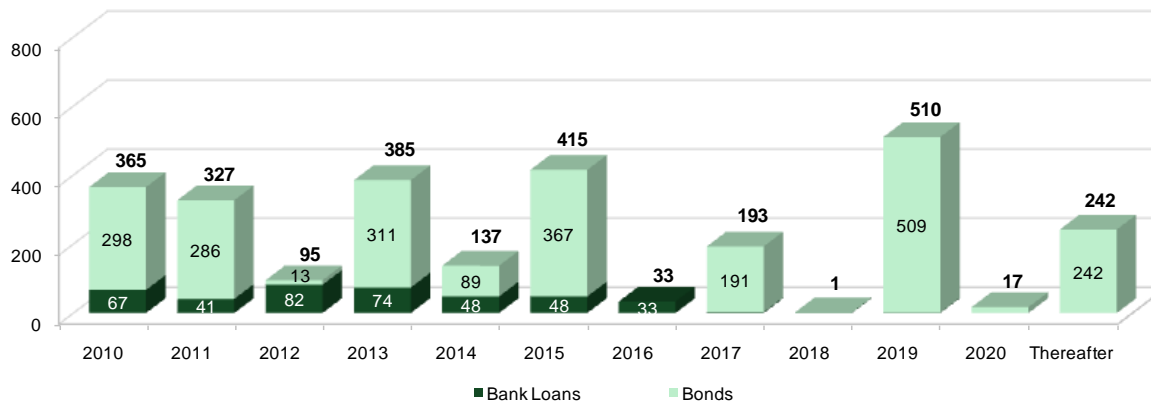
Financial Debt Profile

US\$ million	June 2010	March 2010	Q o Q
Short term financial debt	364	384	-5%
Long term financial debt	2,639	2,658	-1%
TOTAL FINANCIAL DEBT	3,004	3,043	-1%
Cash and cash equivalents	358	373	-4%
NET FINANCIAL DEBT	2,645	2,669	-1%

Comments

- Our cash balance remained stable. At the end of the second quarter of 2010, cash balance was U.S.\$ 358 million, a 4% decrease compared to the U.S. \$373 million held at the end of the previous quarter.

Financial Debt Schedule as of June 30, 2010



Financial Review > Ratios

Arauco Key Financial Ratios

	<u>Q2/10</u>	<u>Q1/10</u>	<u>Q2/09</u>	<u>FY2009</u>
<i>Profitability</i>				
Gross margin	41.3%	37.3%	28.4%	30.9%
Operating margin	23.2%	17.7%	7.1%	10.2%
EBITDA margin	41.7%	27.9%	20.5%	23.3%
ROA (EBIT / Total assets)	7.4%	4.9%	2.0%	2.8%
ROCE (EBIT (1 - tax rate) / Total capitalization)	7.1%	4.9%	1.9%	2.9%
ROE (Net Income / Equity)	10.8%	3.9%	3.2%	4.7%
<i>Leverage</i>				
Interest coverage ratio (EBITDA / Interest expenses)	6.6x	4.4x	3.7x	3.7x
Net financial debt / EBITDA	1.7x	3.0x	4.3x	3.7x
Total financial debt / Total capitalization	31.7%	32.2%	31.9%	33.4%
Net financial debt / Total capitalization	27.9%	28.3%	28.4%	27.8%
Total financial debt / Equity	46.4%	47.5%	46.9%	50.2%
Net financial debt / Equity	40.8%	41.7%	41.8%	41.8%

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Review by Business Segment > Pulp

Pulp Division Net Sales (in US\$ million)

			<u>Net Sales</u>	<u>Price</u>	<u>Volume</u>
2Q 10	428				
1Q 10	386	Q o Q	10.9%	21.9%	-11.2%
2Q 09	402	Y o Y	6.5%	78.0%	-40.1%



- Sales volume decreased 11% during the second quarter, due to the interruption of our mills as a consequence of earthquake that affected Chile in February 2010
- Although pulp inventories have increased for the first time in the year in about 2 days, long and short fiber inventories were, respectively, about 8-9 and 8-10 days lower than in the same quarter of 2009
- Asia led the rise in prices, but the highest prices were experienced in less regular markets such as Turkey, the Middle East in general and India.

Review by Business Segment > Panels

Panels Division Net Sales (in US\$ million)

			<u>Net Sales</u>	<u>Price</u>	<u>Volume</u>
2Q 10	275				
1Q 10	253	Q o Q	8.8%	7.3%	1.4%
2Q 09	184	Y o Y	49.7%	20.0%	24.7%



- Despite the interruption of our mills located in Chile, during the second quarter sales volume was 24.7% higher than in the same quarter of 2009 and 1.4% higher than in the first quarter of 2010
- Panel's sales increased 50% compared to the second quarter of 2009, mainly due to higher sales volume and prices, and the Tafisa Brasil acquisition

Review by Business Segment > Sawn Timber

Sawn Timber Division Net Sales (in US\$ million)

			Net Sales	Price	Volume
2Q 10	162				
1Q 10	113	Q o Q	43.0%	-1.3%	44.9%
2Q 09	118	Y o Y	36.5%	3.7%	31.6%



- Higher sales by 43% when compared with the first quarter of this year, as a result of an increase in sales volume by 50%
- The real estate and construction markets in USA have shown a decrease in the second quarter of 2010. Current levels of construction are low in comparison with the last 10 years
- Demand of wood products has increased in all markets and there was an increase in prices in China, Korea, Mexico, Peru, Japan, Taiwan and Middle East
- Due to the earthquake, the demand of sawn timber increased significantly in the local market

Agenda

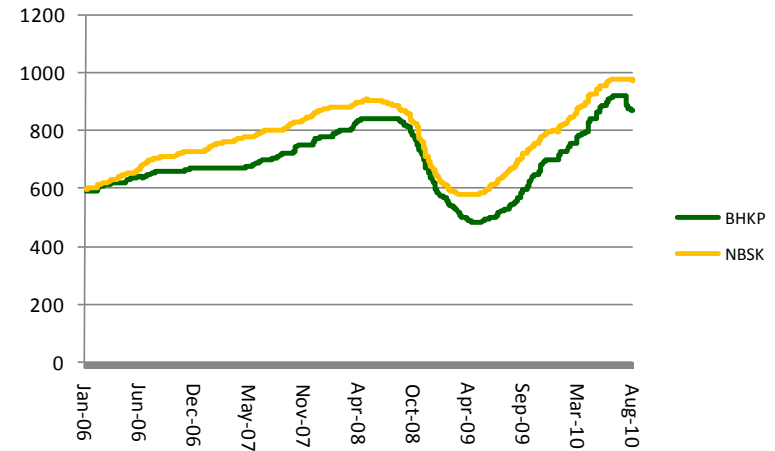
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Outlook > Pulp market

- After a price adjustment in July of \$50/ton and a smaller drop of \$10 - \$20 per ton in August, we kept price levels for September
- Pulp prices for the following months will strongly depend on China's economic growth and paper markets in Europe and USA, which get stronger as these markets return from vacation
- Inventories remain at low historic average levels

In days	June 2010	March 2010	June 2009
BSKP	21	24	26
BHKP	29	29	33

BHKP and NBSK Indexes



Source: Bloomberg

Outlook > Sawn Timber market

- Strong demand in markets such as China, Korea, Mexico, Peru, Japan, Taiwan and the Middle East
- Chile: Increase in sawn timber demand as a result of reconstruction efforts due to the earthquake effects

US Housing Starts and Permits



Source: U.S. Census Bureau

- Latin America, Mexico and Middle East show a growth in demand for wood products, and is expected to continue for the rest of the year
- The real estate and construction market in the US shows a decline in the second quarter. Current levels of construction are under the average levels for the past 10 years
- Housing starts index for June was 598,000 units

Outlook > Panels market

Latin America

- Panel prices have continued climbing and peaked in August
- Some price adjustment should occur due to higher inventories, however, price levels are still high as compared to first half of 2010
- In Brazil prices are increasing, and we expect this trend along with stronger demand to continue for the rest of the year
- Our distribution offices in Latin America are growing both in demand and in average prices

USA

- The US market continues with low activity, and no signs of immediate recovery; the US market outlook is still uncertain
- Our sales volume approximately 10% lower than last year in MDF moldings
- Our plywood sales has increased some market share

Europe

- European market is improving, with price increases to continue in the near future
- Although demand is weak, our products have benefited from a weaker local supply

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2nd Quarter and Subsequent Events

In September Arauco achieved it's record lowest yields ever in both local and international markets

September, 2nd: Arauco issued bonds in the Chilean Market

- 5 million UF (approx. U.S.\$ 210 million)
- Maturity of 10 years, bullet
- Yield of UF + 3.18%
- Spread of 53 bps over the BCU-10 (Chilean Treasury Bond)
- Local Rating of AA by Fitch Ratings and Feller-Rate
- Order book over 2 times

September 14th: Arauco issued bonds in the U.S. Market

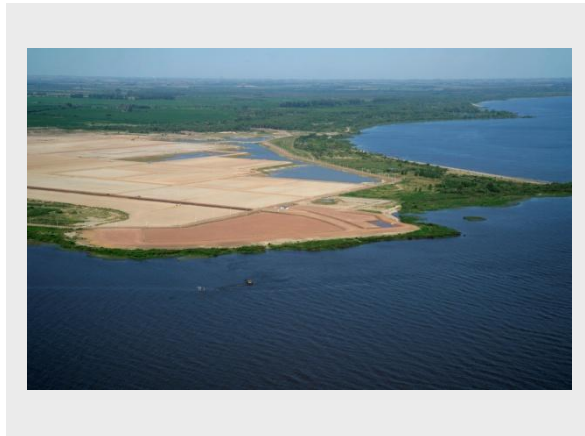
- 144 A / reg S of U.S.\$ 400 million
- Maturity of 10 years, bullet
- Yield of 5.115%
- Spread of 245 bps over the UST-10
- Rating: BBB+ (Fitch), BBB (S&P) and Baa2 (Moody's)
- Order book over 7 times

2nd Quarter and Subsequent Events

Update on Montes del Plata-Uruguay

- **Montes del Plata:** Joint Venture between Arauco and Stora Enso to build a world class pulp mill in Punta Pereira, Uruguay
- Project includes a port terminal integrated to the pulp mill, in a free trade zone
- Montes del Plata has a forest base of 254,000 hectares of land and 126,000 of plantations
- Counts with legal and environmental permits
- Deep impact in the Uruguayan economy
- **Estimated Investment:** US\$1.500 million
- **Estimated Capacity:** 1,300,000 Adt / year
- **Production start date:** 2013 (E)

Strategic Location Near Río de la Plata



Port Terminal





Q & A



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2nd Quarter 2010
Financial Results

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A replay of this conference call will be available from September 21st, 18:30 to September 28st, 2010
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